



**POGA Brief**

**Submitted by Prairie Oat Growers Association**

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## Importance of Market Access to Oats

Oats have a great role to play in healthy diets, sustainability, and farm incomes. They are the cereal with the highest protein content, with the best amino acid profile, and have heart-healthy beta glucan. Oats are known as a super food as they contain several minerals: (manganese, selenium, calcium, magnesium and zinc), plus fiber and are low in calories. They are readily available, cheap and are good food.

Canada is the world's largest exporter of oats and the third largest producer (after the EU and Russia). Specifically, Canadian oat growers produce more than 3 million tonnes of oats annually and ship over half the world's exports of the crop each year. The USA is Canada's largest purchaser of oats, representing about 90% of annual Canadian oat exports. Over the last few decades, Canadian oat farmers have turned oats from a domestic crop, into a major Canadian export. In 1982, exports accounted for 3% of Canadian oat usage. In 2015, they were 69%.

## Grain Transportation

We highly value the US market for oats and want to serve it to the best of our ability. However, our market is still recovering from the 2013-2014 transportation crisis and movement remains below 5 year averages. During the height of the crisis emphasis was put on getting grain to ports. Since virtually all of the oat movement goes south to the United States, the oat market suffered most. Oat exports dropped 40% during a record growing season when orders from US oat mills were high. Canada lost market share to other countries such as Sweden. Oats were brought from overseas to locations within 800 miles of the Canadian border.

Canada's inability to deliver created a concern with many of the US oat millers that they should not be sourcing 100% of their oats from Canada. They feel they need to support US and other countries' oat production to manage their risk. This is having a long term impact on our market.

With this in mind, POGA calls for a Fair, Responsive, Efficient, Transparent grain transportation system. A rail system founded on Canadian resources has a unique duty as one of the bedrocks of the Canadian economy. Particularly since agriculture continues to underpin the rural economy, the success of the railways, handlers, and farmers are intertwined. Shippers of all shapes and sizes need access if we are to protect Canada's reputation as an exporter and grow our markets.

We recognise that overall grain movement has improved, but shortfalls remain on southern rail corridors. According to the Ag Transportation Coalition, the U.S./Mexico Corridor continues to be underserved on a regular basis. Oat producers are relying heavily on trucking which went up 69%, even though it is not the lowest cost option.

We believe that the Review of the Canada Transportation Act (CTA) has many merits including recommendations for data improvement, 5 year planning, and an emphasis on improving infrastructure and capacity. However, there are several places where POGA believes changes to the Review are necessary.



### Corridor Specific

In particular, POGA believes more gathering of corridor-specific data, corridor-specific planning (both in the short term and long), and better provisions on service level agreements need to be incorporated into the Act. POGA believes clearer service level agreements are essential to ensure some balance of power between the two very large railroads and the shippers, and to meet the needs of South-bound destinations, as well as East-West. They must provide for adequate and suitable service if we want our economy to grow.

### MRE

On the topic of the Maximum Revenue Entitlement (MRE), POGA supports its retention. The “cap” provides assurances to all farmers of realistic and fair pricing, especially those in remote areas. Movement to the US is not covered under the MRE, yet oat movement was hardest hit during the crisis – suggesting the MRE is not the primary factor in reducing service adequacy to grain and that eliminating the MRE will increase price but not increase service.

### Interswitching

**POGA also would like to applaud the government’s decision to extend the provisions of the Fair Rail for Grain Farmers Act for a further year and strongly encourage a two-year extension. A two-year extension would allow time for the CTA review recommendations to be acted upon and reduce the possible legislative burden if it not completed by summer 2017. In the strongest possible terms, POGA calls on Parliament to enact this extension before the summer recess.**

Long term we believe in the need for a clear process of rewards and consequences for meeting rural demands for grain movement. We also highly value the increased 160 km interswitching distance from 30 km. As of March 2016, POGA understands roughly 3000 grain cars have been shipped under the expanded distances. Based on an average value, that is worth an estimated \$80 million in crops moved, including oats. Clearly these provisions are important and create some competition in an industry that currently has very little. This level of uptake is despite a delayed start to implementation and a sunset clause that may lead some shippers to fear retribution after the provisions run out since they return to being captive shippers.

We believe this level of use is already proof of the importance of interswitching. If it is seen as low, the railroads should not object to allowing it to continue since, in that case, it has not been impacting their business significantly anyway.

## **Diversity of Markets**

As stated, we highly value the US market. We believe there is an opportunity to regain market share and expand there. However, the current reality means new market opportunities must be created just to have the same amount of oat exports Canadian oat producers had before the transportation crisis.

### Mexico

Thanks to support from Growing Forward 2, we have already begun work to increase the market share of Canadian oats in Mexico. Mexico is the third largest importer of oats and in the past year alone, Canada has doubled its marketshare. While still a small proportion of oats, we are up by 43,000 tonnes in 2015 according to Mexican government statistics. Much of that gain is in processed oats, but even if we were to conservatively estimate that to be at \$200 per tonne, that is an \$8.6 million gain in one year.



This is based on a grant of less than \$35,000 from AAFC, or a total spend of less than \$75,000 in the last Government fiscal year.

The ability to leverage Government funds, the efficient use of social media, setting up country specific websites like [www.avenacanada.com](http://www.avenacanada.com), and top-notch-support from the Embassy and Consulate are examples of how Canada can promote market access and development.

### China

We have also begun working to expand oat sales into growing markets in China. There we require support to tackle phytosanitary issues. Currently, Canada already has access to the Chinese market for *oats seed for propagation*. Canadian oats are currently not into allowed for human or feed consumption. In October 2015, POGA applied through Market Access Secretariat (MAS) to help get provision for Canadian *raw oats for human and feed consumption* into China.

Working with importers, AAFC and CFIA, we are hoping to get this barrier to trade addressed. In cases such as this, technical support from the government is very important.

In addition, POGA would like to note the importance of science-based decision making on phytosanitary issues, pesticide MRLs, and all plant health matters.

## **TPP**

So it is clear Canada needs more access to diverse markets. As a result, the Trans-Pacific Partnership and NAFTA are very important to Canada. With this in mind, POGA actively encourages Canada to ratify the TPP agreement as soon as possible. This will be an important signal of its importance, and to further protect and strengthen agreements like NAFTA and CETA, which also needs ratification.

Several of the TPP members are already key trading partners for Canada, and represent 51% of Canada's agricultural and agri-food exports. The U.S., Mexico and Japan are major importers of oats and all are TPP members. Other TPP members also represent important potential new markets. The TPP will ensure Canada enters those markets on equal footing with other TPP members or with an advantage over with competing exporters if they are not in the TPP.

TPP is about evolving opportunities for oats. With an emerging middle class, large populations, and rising health concerns like diabetes and heart disease, many of these countries could be good importers of oats. For example, in Vietnam, diabetes is growing at an alarming rate. In 1991 just 1% of the adult Vietnamese population were diagnosed with diabetes, by 2012 this rate was over 5%.

In Japan, according to the US National Library of Medicine, "there has been rapid growth in diabetes in Japan which now is one of the nations most affected by the worldwide diabetes epidemic. Diabetes has been identified as a healthcare priority by the Ministry of Health, Labour and Welfare." In addition, heart disease is the second most prominent cause of mortality in Japan.

In Malaysia, local press, including Free Malaysia Today, has encouraged their people to shift from rice to other grains, including oats because "white rice causes diabetes and may increase the risk of getting Type 2 diabetes by 10%." According to this same source, "the average Asian eats about 90kg to 190kg



of rice a year.” Therefore, a relatively small shift from rice to oats could mean considerable oat exports for Canada.

## Innovation

Recognizing we need better market access, more diverse opportunities, and a fair transportation system, the final piece of this puzzle is to further innovation in the oat sector.

### Research

One of the key issues oat growers currently face is the need for variety development. An emphasis on variety development underpins the success in fostering productivity. Historically, variety development in Canada was guided and funded primarily through the public sector. A continued presence in the public sector must be sustained. Currently at AAFC there is **one** remaining oat researcher in western Canada, where 90% of the oats are grown.

A successor needs to be assigned to facilitate ongoing public sector involvement as the current breeder is expected to retire in 2018. The oat sector is willing to do its part. POGA, handlers, and millers banded together to support the Prairie Oat Breeding Consortium which is helping support public oat breeding. In addition, POGA, along with industry players are ready to pay for 100% of one of two new oat researcher two-year positions and 25% of the other (the 25% is through the Prairie Oat Breeding Consortium where the money has already been provided each year even though the researcher has not been in place, so, in fact, we already have been supporting it). AAFC is posting these two oat variety researcher positions, and we hope **both** individuals will be hired by October 2016. These positions are critical to Canadian oat growers and underpins the success of oats as a sustainable Canadian crop going forward.

### Traceability

Beyond research, we are seeing consumers demanding more accountability and testing from producers which would only be possible with traceability. Traceability is currently imbedded in some protocols for suppliers, particularly in the organic and gluten-free category, and occasionally some other contracts. Current trends indicate that farm traceability and potentially farm certification programs could become increasingly standard in the industry. Consumers want to know what is in their food and where it is grown.

### Certification

The USA standards in Gluten Free, Non-GMO and Organic certification are well recognized by Canadian consumers. **Canadian standards should precisely mirror them or default to the US standard.** POGA understands the majority of gluten free oats are sold to the USA. Two different standards would be inefficient and redundant.

### Diversification of Consumption

Diversification of oat consumption is also needed. Consumers need to see oats as more than just oatmeal and that oats can be used for breakfast, lunch and dinner – in North America and abroad. This includes outreach to food processors, retailers and consumers. We appreciate the support for our international market development programmes and also believe funding for marketing is needed here at home. Domestic market access matters, just as much as global.



## About POGA

The Prairie Oat Growers Association (POGA) was formed in 1998 by a group of oat producers from Saskatchewan, Alberta and Manitoba. POGA is a voluntary organization of prairie oat growers established to promote the interests of oat growers and oat marketing. POGA represents nearly 90% of the oats grown in Canada.

POGA's overall objective is to develop and support partnerships in the agricultural industry that will enhance the profitability of oats for the growers and increase its value to the customers. POGA activities focus on:

- Production and agronomic research;
- Communicating research results to farmers;
- Supporting market development initiatives;
- Building Partnerships and networking with participants in research, processing and handling;
- Representing oat growers' views in policy development and regulatory matters.

Through POGA each of the three Prairie Provinces has since created its own oat producer association. The groups are funded through the collection of refundable per tonne check offs or levies.

The Alberta Oat Grower Commission (AOGC), the Manitoba Oat Growers Association (MOGA) and the Saskatchewan Oat Development Commission (SODC) and all collect a \$0.50/tonne levy on oats grown within each province. Our mission is to use producer funds for oat research and market development by supporting partnerships in the agricultural industry that will enhance the profitability of oats for the grower and increase its value to the customer. The Government of Canada is an important partner because without Government funding this small, yet important, crop would not be able to compete for acres with larger crops like wheat and canola.